

Tom Corcut
Office of Gas and Electricity Markets
10 South Colonnade
Canary Wharf
London
E14 4PU

Chris Logue
Market Change Delivery Manager

chris.logue@nationalgrid.com
Direct tel +44 (0)1926 656733

www.nationalgrid.com

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Dear Tom,

Call for Evidence: Change to Existing Arrangements for Accessing Licence Baseline Exit Capacity on the National Transmission System at Bacton Interconnection Point

Contextual Information

We note that the description of current arrangements do not include the current process for acquiring incremental entry/exit capacity at Interconnection Points (IPs). This was implemented as part of the amendment to the EU network code on Capacity Allocation Mechanisms (CAM), and was introduced at a GB level via Uniform Network Code (UNC) modification 597.

The process is market led and requires, in the first instance, demand for a service from shipper Users underpinned by User Commitment. This trigger then allows NG to evaluate how to meet that demand, with substitution being the preferred option where possible.

Ofgem's Questions

We address the issues raised by the questions in general points below. We have not sought to answer every individual question (which appear to be directed mainly at network users) however we would like to share our view and information we think may be relevant.

General – Competition

We agree that having a situation where BBL shippers have access to a firm release obligation at the BBL Exit Point is the most preferable outcome. We think this situation would create a level playing field for BBL exit shippers, improving access to a neighbouring market and be good for competition and GB market liquidity.

As noted above: a process to achieve this is available to shippers and so we think the debate is primarily about how to achieve that outcome in a fair manner, rather than whether that outcome is a good thing.

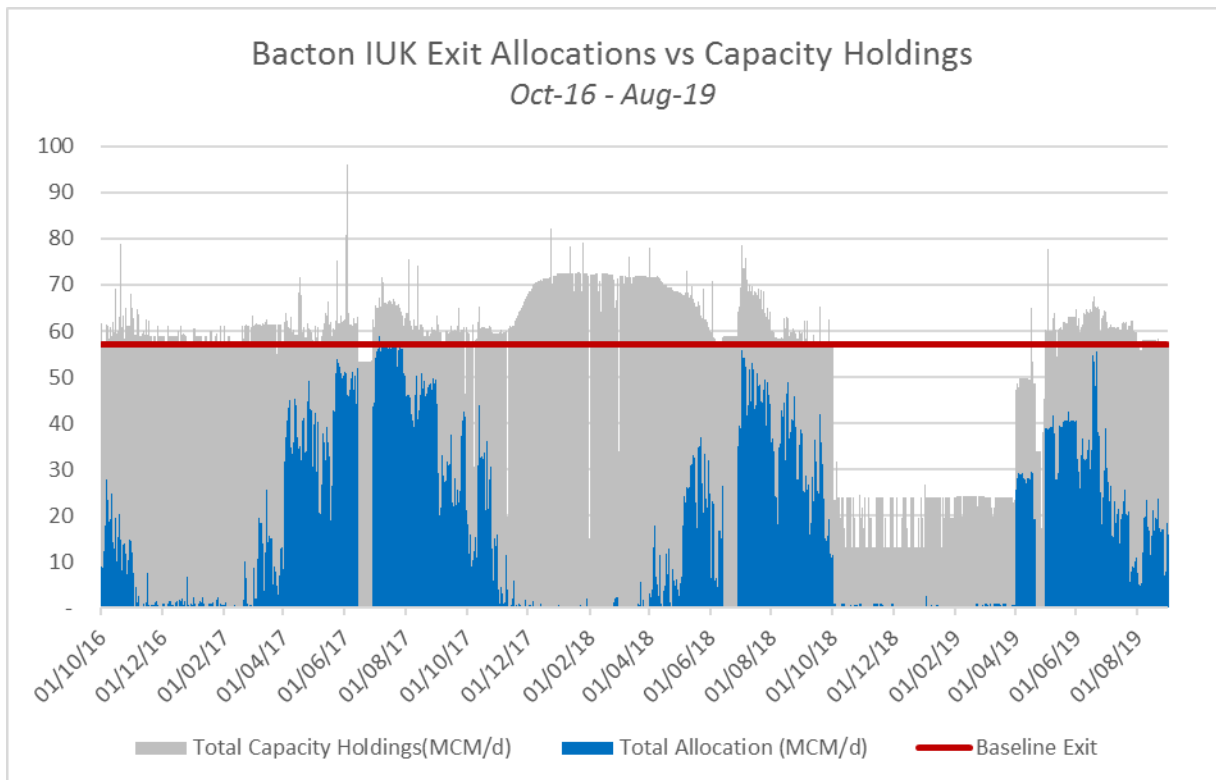
Specific – Market Demand

National Grid, in conjunction with other TSOs across the EU, recently held open a demand indication window in accordance with CAM. No demand indications for IPs were received through this process¹.

Other Points

We attach a graph below of recent historic allocations and total capacity sales (firm + interruptible) at our Bacton IUK Exit Point. This gives a good indication of the range of utilisation of the existing capacity. There is a seasonal pattern to the flows (export in summer; import in winter) and the past 3 summers have seen allocations peaking at around the baseline level.

¹ <https://www.nationalgridgas.com/document/128231/download>



We have stated earlier, agreement with the view that shipper access to a firm capacity release obligation at the BBL exit point would enhance overall market effectiveness, however from the above graph we note there may be an impact upon some IUK flows over summer if IUK exit capacity were to be shared with BBL.

The challenge therefore is in establishing how to arrive at a firm obligation for BBLshippers, which must either follow the existing process or requires some form of regime change to create a new process. Notable points/questions that would need to be addressed prior to regime change include:

1. Further understanding on why the existing market led process for creating a firm release obligation for a point, as established by UNC modification 597, is not deemed appropriate.
2. Consideration of whether there is any legitimate basis to limit aggregation of exit points to Interconnection Points, and consideration of the wider implications of aggregating exit points across the network e.g. which points qualify, what are suitable zones, exchange rates etc.
3. Consideration of the implications of new entrants having immediate access to capacity at nearby exit points (assume via competing auctions) without utilising the PARCA² process.

National Grid anticipates having discussions on some of the issues relating to aggregating baselines at NTS exit points as part of its zonal capacity discussions within its proposed access review. The first workgroup for the access review is anticipated to be at November Transmission Workgroup.

If there are any queries regarding this response then please contact myself or Malcolm Montgomery (Malcolm.montgomery@nationalgrid.com).

Yours sincerely,

Chris Logue
Market Change Delivery Manager

² Planning and Advanced Reservation of Capacity Agreement. See [link](#) for further information.